

Revenue and Expenses must be recorded in the same fiscal period.

Revenue earned in one fiscal period but not received until a later fiscal period is called **Accrued Revenue**.

***Accrued Revenue is recorded by an adjusting entry at the end of a fiscal period.**

The adjusting entry for accrued revenue increases a revenue account and a receivable account.

These adjusting entries are recorded in the General Journal.

ANALYZING AN ADJUSTMENT FOR ACCRUED INTEREST INCOME

Winning Edge Work Sheet								
For Year Ended December 31, 20--								
ACCOUNT TITLE	TRIAL BALANCE		ADJUSTMENTS		INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
4 Interest Receivable			(a) 20 00				20 00	
1 Interest Income		68 00		(a) 20 00		88 00		

GENERAL JOURNAL							PAGE 15
	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT	CREDIT	
1		Adjusting Entries					1
2	Dec. 31	Interest Receivable			20 00		2
3		Interest Income				20 00	3

1. Debit Interest Receivable.
2. Credit Interest Income.
3. Record the adjusting entry.

POSTING AN ADJUSTING ENTRY FOR ACCRUED INTEREST INCOME

GENERAL JOURNAL										PAGE 15
	DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT	
1		<i>Adjusting Entries</i>								1
2	²⁰⁻ Dec. 31	Interest Receivable		1120	20 00					2
3		Interest Income		7110				20 00		3
4										4
5										5

1. Post the debit.
2. Post the credit.

ACCOUNT <i>Interest Receivable</i>										ACCOUNT NO. 1120
DATE	ITEM	POST. REF.	DEBIT		CREDIT	BALANCE				
						DEBIT	CREDIT			
²⁰⁻ Dec. 31		G15	20 00			20 00				

ACCOUNT <i>Interest Income</i>										ACCOUNT NO. 7110
DATE	ITEM	POST. REF.	DEBIT		CREDIT	BALANCE				
						DEBIT	CREDIT			
Dec. 29		CR36			12 00			68 00		
31		G15			20 00			88 00		

REVERSING ENTRY FOR ACCRUED INTEREST INCOME

An entry made at the beginning of a fiscal period to reverse an adjusting entry made in the previous fiscal period.

Closing entries would have already been performed (Interest Income)

GENERAL JOURNAL													PAGE 17	
	DATE		ACCOUNT TITLE	DOC. NO.	POST. REF.	DEBIT				CREDIT				
1			1 <i>Reversing Entries</i>											1
2	<i>Jan.</i>	1	<i>Interest Income</i>			2	20	00						2
3			<i>Interest Receivable</i>								3	20	00	3
4														4

1. Write the heading.
2. Debit Interest Income.
3. Credit Interest Receivable.

COLLECTING A NOTE RECEIVABLE ISSUED IN A PREVIOUS FISCAL PERIOD

CASH RECEIPTS JOURNAL											PAGE 51
DATE	ACCOUNT TITLE	DOC. NO.	POST. REF.	GENERAL		ACCOUNTS RECEIVABLE CREDIT	SALES CREDIT	SALES TAX PAYABLE		SALES DISCOUNT DEBIT	CASH DEBIT
				DEBIT	CREDIT			DEBIT	CREDIT		
22	30 Notes Receivable	R9	1115		1000 00						1030 00
23	Interest Income		7110		30 00						
24											

ACCOUNT <i>Notes Receivable</i>					ACCOUNT NO. 1115	
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
Nov. 1		G11	1000 00		1000 00	
Jan. 30		CR51		1000 00		

4

ACCOUNT <i>Interest Income</i>					ACCOUNT NO. 7110	
DATE	ITEM	POST. REF.	DEBIT	CREDIT	BALANCE	
					DEBIT	CREDIT
31		G15		20 00		88 00
31		G16	88 00			
Jan. 1		G17	20 00		20 00	
30		CR51		30 00		1000

1. Credit for Principal
2. Credit for Total Interest
3. Debit for Maturity Value
4. Post amounts in General columns.